

Congress of the United States
Washington, DC 20515

September 11, 2015

The Honorable Jacob Lew
Secretary
Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Lew:

We are deeply concerned with the inversion announcements from Terex, CF Industries Holdings Inc., and Coca Cola Enterprises Inc. over the last month. The companies behind each of these inversions have deep roots in the United States and are merging with a European corporation to evade their U.S. tax responsibilities. We thank you for the actions you have taken so far to address this egregious behavior. Therefore, we urge you to further discourage these tax avoidance schemes and hold these and other corporate deserters accountable by annually publishing, to the extent permissible, a list of inverted corporations, and using your executive authority to curb earnings stripping and other perverse incentives they have to invert.

Like many other companies seeking to invert, Terex, CF Industries Holdings, and Coca Cola Enterprises took advantage of our education system, our research and development incentives, our skilled workforce, our infrastructure, our patent and court systems, and our national security, all supported by U.S. taxpayers, to start and build their businesses. Now they seek to renounce their citizenship to skirt paying taxes for the very services they benefit from. This practice is abhorrent and needs to be stopped immediately.

Although Congress and the Department of Treasury took steps in the past to curb corporation inversions, these tax dodgers have continued to exploit loopholes in our laws and regulations. For example, Congress prohibited the Department of Homeland Security (DHS) from awarding contracts to inverted corporations in the 2002 DHS authorization. Congress expanded this ban government-wide in Fiscal Year 2008 to prevent inverted corporations from benefiting from federal contracts after abdicating their citizenship. Unfortunately, Ingersoll Rand, an inverted corporation with roots in the United States that dates back to 1871, was recently cleared by the DHS to compete for federal contracts. They were also recently awarded a contract from the Army Corps of Engineers. In fact, even the U.S. Treasury Department continues to award a contract to Aon Plc, a company that inverted in 2012 for work within the Internal Revenue Service and other agencies within the Department. This mixed track record for enforcing the contracting prohibition on inverted corporations is partly due to the fact that it is difficult for procurement personnel to determine whether a company is inverted. Your Department is uniquely qualified to make such a determination. Consequently, we urge you to publish annually a list of inverted corporations that could be used to better enforce the ban, and if the Department of Treasury is unable to do this under current law, please advise us what statutory changes are needed to permit such a disclosure.

You also have broad authority under Section 385 of the Internal Revenue Code to curb the practice of earnings stripping, one of the key incentives for companies to invert. As many tax experts have pointed out, domestic subsidiaries of inverted corporations often borrow from the "foreign" parent corporation to avoid their U.S. tax responsibilities by deducting interest payments. Under Section 385, you could recharacterize debt as equity for inverted corporations, which would eliminate the ability for the domestic subsidiary to deduct interest payments and remove a strong incentive to invert. We urge you to use this authority, to the maximum extent possible, to curb the practice of earnings stripping.

While we recognize that Congress can, and should, do more to strengthen our laws, we encourage you to take these executive actions to curb the manipulation of our laws and regulations and prevent the further erosion of our tax base.

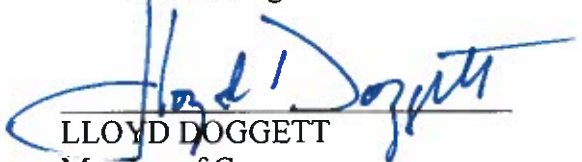
Sincerely,



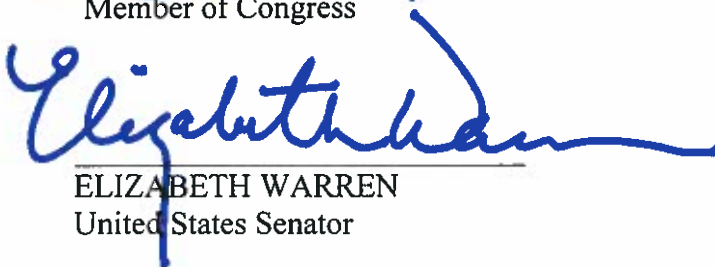
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